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Tragedy in the Making

As Greece teeters on the brink of an economic and social breakdown, citizens wonder how they will be saved from deeply rooted corruption and severe debt. Mostly, they've given up hope.



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ATHENS - Politics in Greece is all about the ruling families, they say here. The vast majority of the country's leadership has grown up in the same expensive neighborhoods, gone to the same exclusive schools, partied on the same boats and married into the same families. Their kids are friends, their parents are friends, their wives go to the same hairdresser.

"And don't forget to write that almost none of them have been out in the real job market," says businessman Panayotis Kapsiotis, sipping a late-night mojito by the pool as the DJ spins. "They would have trouble running a corner kiosk," he adds, not really joking.



A demonstrator in Athens this week. "The corruption and bribe taking trickles down," says a former electric company official. Credit AP

Kapsiotis is at a 20th high-school reunion of sorts: One of his old classmates at Athens College is celebrating the christening of his daughter at his elegant home in the suburb of Kifissia.

The men embrace each other warmly; the women, many of whom are pregnant, wear expensive designer shoes, their heels sinking slightly into the garden grounds. A valet is parking cars. Waiters come around with mini-souvlakis. And children run amok even though it's long past midnight.

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One of Europe's most elite high schools, Athens College was founded by opposition leader Antonis Samaras' great grandfather. Both Samaras and Prime Minister George Papandreou (following in the footsteps of his father, Andreas Papandreou, three-time prime minister and son of another prime minister) went to school there. The two men graduated one year apart, and then each set off for

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America to get their B.A.s - both at Amherst, a small liberal arts college where the future political rivals were roommates.

But Athens College is where it starts. It's the sort of place that, year after year, turns out the people who enjoy just this sort of early-summer party scene: Attractive. Confident. Affluent. Expectant. Powerful. Secure. Is that really how they are today?

"This is just a facade nowadays," confides Kapsiotis, glancing around the crowded garden. "Sure, most everyone here still has their jobs, as well as savings, and families that can help out, and in some cases a whole dynasty of power behind them - but don't mistake any of that for a future."

Today, as Greece teeters on the verge of a very public breakdown, citizens from across the political and class spectrums - rich and poor alike - are belatedly shaking their heads and incredulously asking, "How did this happen?" "What went so wrong?"

'Crooks! Crooks!'

"The problem starts with exactly those elites. It is they who are to blame - both the politicians and their businessmen classmates," says George Stampolidis, a naval officer protesting outside the Greek parliament in downtown Syntagma Square, 20 kilometers and a world away from affluent Kifissia. "They created a culture of corruption so deep here that now we are all drowning in it."

And Greece, with close to 345 billion euros in debt, is indeed drowning. Last week, in the face of tens of thousands of angry protesters and reforms that have undone almost everything his party stood for, Papandreou passed drastic new austerity measures, promising to shave off 28.3 billion euros in spending by 2015.

To do this, he says he intends to cut salaries and social benefits, including pensions and unemployment aid, raise taxes on even those earning minimum wage, and sell off state assets and government services - for starters. This comes in the middle of a recession and 16-percent unemployment.

The measures are meant to ensure that the country gets 12 billion euros in promised aid, the fifth payment in a 110 billion-euro bailout package from the "troika" - the European Union, the European Central Bank and the International Monetary Fund - intended to keep the country from defaulting on its debt.

Concerned that a Greek default would mean massive losses for all the banks that hold its debt, as well as a potential domino effect around Europe, the troika has encouraged what they see as a responsible austerity plan. This was an "important step forward," said European Commission President Jose Manuel Barroso and European Council President Herman Van Rompuy in a joint statement.

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At home, though, it's seen differently. As many as 80 percent of Greeks oppose the new austerity measures,

and there are naysayers even within Papandreou's own PASOK party.

"Crooks! Crooks!" shout the masses outside Parliament, thrusting their palms toward the building in a sign of disrespect, and flashing flashlights into the eyes of police and the journalists - whom protesters see as part of the establishment - filming them from the windows of the nearby luxury Grand Bretagne hotel. Banners read: "Crooks: We will find and get you," and "Change the constitution."

"We will not pay one penny to our corrupt government so they can feed the bloodthirsty Germans who want our islands," says a protester named Elias, giving vent to one of the many conspiracy theories making the rounds.

Cheaper to bribe

But the problem now is that its not just the top echelons who are responsible for the damage. The whole country seems to have followed its leaders' example and jumped into the corrupt system.

"The corruption and bribe taking starts at the top and trickles down to the very bottom," says Vassili Christaras, an engineer and former official in the state-owned electric company. "Things were better 30 years ago. Now it is endemic."

Corruption here takes endless forms: It's cheaper to pay the driving-test examiner 220 euros in cash and pass on the first go than to pay 150 euros repeatedly and fail. It makes sense to give 10,000 euros to the hospital's procurement officer if that's what it takes to get the contract to supply Band Aids. And it is far easier to slip the tax authority 20,000 euros than to admit to being in a higher tax bracket and pay five times more.

The tax authority is generally considered the most corrupt body of all. "It operates like a mafia," says Sabby Mionis, a Greek-Israeli businessman. "It's so profitable to be a regional tax authority head that people literally pay off the finance minister to be appointed, and then use the position to blackmail and bribe businessmen and make a fortune."

Meanwhile, the culture of tax evasion means that everyone from the house painter to your heart surgeon refrains from giving out receipts.

A building-code engineer on Milos Island was recently found to have 12 million euros in his bank account, despite having a monthly salary of less than 2,000 euros. A doctor at a public hospital in Athens was found to have saved 37 million euros, no doubt partly due to under-the-table deals with a French orthopedic company he had recommended as a supplier.

"When it comes to corruption, we are like an African or Latin country, or like India, not like anything else you know in Western Europe," observes Meghna Reddy, an Indian married to a Greek, who has lived in the country for six years. "Just like in India, no one is doing much to change it, and accepts that it can continue." But while India has low labor costs, an enormous internal market and a culture of innovation, Greece is lacking the means to offset the scourge of corruption.

Not helping the situation is the fact that the public sector is both terribly bloated and inefficient. Growing

since the elder Papandreou came into power in 1981, that sector today employs more than 1 million people, a quarter of the Greek workforce.

But few people seem willing to accept painful changes, including mass public-sector layoffs. These days, for example, workers worried that the government might go forth with its plans to privatize the electric company - thus making it more efficient and saving money - have been orchestrating blackouts in protest.

At the root of Greece's problems, says businessman Mionis, musing about the differences between the two countries he calls home, is an even more rudimentary issue: Greeks simply do not have a strong sense of the larger community. "There is no sense of 'what is better for the whole' here, as there is in Israel," he says.

The country that long ago introduced the concepts of "democracy" and "polis," where each citizen was expected to invest time and effort in public, military and cultural service, is now a much more individualistic place.

"People are basically selfish, or put out a hand only to help their own families," agrees Christaras. "If you think nothing is going to change, you start operating only [from] your own interests."

The debt trap

Even those who agree that serious austerity measures are needed are generally despondent about Papandreou's plan, saying that even if the government had the real political will or ability to implement the measures - which few believe it does - and even if ordinary Greeks had the will or desire to play ball - which they do not - none of this goes far enough toward solving the crisis anyway.

Greece's debt is 160 percent of its GDP and rising fast, simply too much for the stagnating country of 11 million people to pay.

Meanwhile, a second, larger bailout is in the works. The final 12 billion of the first bailout is yet to come through, but distant European capitals are drafting a 130-billion-euro assistance plan.

Greece seems to be in a "debt trap," needing more and more loans just to pay off the interest on its debt. "We are just kicking the can down the road," says Mionis. "Greece is one big Ponzi scheme, and is being supported by loans and European subsidies. When the EU sees the situation here is no longer contagious, to Ireland or Portugal or elsewhere, they will let Greece go bankrupt."

"A very great number of people are angry and hopeless," says lawyer Stavros Papastavrou, an international secretary in Samaras' Nea Demokratia party. "And, while some are willing to make sacrifices, they want to know it will lead somewhere. They don't want to sacrifice for nothing."

Samaras' suggestions for solving the vicious cycle of recession - including lowering taxes in order to stimulate the economy - have been heavily criticized by the EU, as well as by many Greeks, who believe they are more populist but not more effective.

"Samaras' suggestions are not sufficient for a 'reboot' of the economy," says Agis Veroutis, a small business

owner. "Without the shrinking of the public sector Leviathan, plus obliteration of Soviet-style bureaucratic regulation, tax relief will only increase the deficits. Any solution to the current economic standoff must be comprehensive."

Meanwhile, Greece is fraying at the seams. The once high-end shopping streets, where millions of euros used to be paid in key money to secure a corner store, are now filled with "for rent" signs. Graffiti on the bank buildings reads "Burn me."

Crime is up, and the once-fashionable neighborhoods around downtown Omonia square are becoming increasingly lawless, with illegal immigrants selling knock-off Dolce & Gabbana handbags and dealing drugs, prostitutes strutting their stuff, and motorcyclists zooming about at incredible speed as police loll around, doing nothing.

Just last month, in a crime that shocked the nation, a 44-year-old man dashing to get his video camera from his car so he could film his pregnant wife giving birth in the hospital was jumped by three assailants and killed. They were later caught selling the camera for 150 euros.

Back at the Athens' College party, couples are taking to the dance floor, and - slightly drunk on too-strong cocktails - singing along to the disco favorites and they bob around. It was a good party and a fun night, reminding them of the old days when they were a little younger and a lot more hopeful.

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