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May 3, 2010

NY Times: *Rampant Tax Cheating Exacerbates Greek Budget Crisis*

New York Times, [Greek Wealth Is Everywhere but Tax Forms:](#)

Signs of wealth abound in Athens, but only a few thousand Greeks out of 11 million declared an income of more than \$132,000 last year, according to the Finance Ministry.

In the wealthy, northern suburbs of this city, where summer temperatures often hit the high 90s, just 324 residents checked the box on their tax returns admitting that they owned pools.

So tax investigators studied satellite photos of the area — a sprawling collection of expensive villas tucked behind tall gates — and came back with a decidedly different number: 16,974 pools.

That kind of wholesale lying about assets, and other eye-popping cases that are surfacing in the news media here, points to the staggering breadth of tax dodging that has long been a way of life here.

Such evasion has played a significant role in Greece's debt crisis, and as the country struggles to get its financial house in order, it is going after tax cheats as never before.

Various studies, including one by the Federation of Greek Industries last year, have estimated that the government may be losing as much as \$30 billion a year to tax evasion — a figure that would have gone a long way to solving its debt problems.

For a contrary view, see [Dan Mitchell](#) (Cato Institute), [Greece's Problem Is High Tax Rates, Not Tax Evasion:](#)

The New York Times has an article describing widespread tax evasion in Greece, along with an implication that the country's fiscal crisis is largely the result of unpaid taxes and could be mostly solved if taxpayers were more obedient to the state. This is grossly inaccurate. A quick look at the [budget numbers](#) reveals that tax

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revenues have remained relatively constant in recent years, consuming nearly 40 percent of GDP. The burden of government spending, by contrast, has jumped significantly and now exceeds 50 percent of Greek economic output.

The article also is flawed in assuming that harsher enforcement is the key to compliance. As the video shows, even the economists at the Paris-based Organization for Economic Cooperation and Development admit that tax evasion is driven by high tax rates (which is remarkable since the OECD is the **international bureaucracy** pushing for global tax rules to undermine **tax competition** and **reduce fiscal sovereignty**).



- Rith & Co., **How Much Tax Is Enough Tax?**
- tax.com, **Taxes, PIGS, and the Euro**

(Hat Tip: Ann Murphy.)

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