

This is the real reason Greece has a massive tax-evasion problem



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FEB. 25, 2015, 8:17 AM



REUTERS/Yannis Behrakis

Greek parliament employees atop the parliament in Athens' Syntagma (Constitution) square in 2012.

[Greece's reform plans have been released](#), and one of the big things the new government wants to tackle is the country's endemic tax avoidance and evasion.

Despite recent headlines suggesting the super-wealthy were the main offenders, there is [an amazing academic paper](#) that shows just how much Greece's upper-middle-class professionals are dodging taxes.

Thanks to Twitter's [Pseudoerasmus](#) for bringing this to our attention in his [longer and excellent blog on Greece's long-term problems](#). Here is a section from the 2012 University of Chicago paper:

On average, self-employed Greeks spend 82% of their monthly reported income servicing debt. To put this number in perspective, the standard practice in consumer finance (in the United States as well as Greece) is to never lend to borrowers such that loan payments are greater than 30% of monthly income. And that is the upper limit ...

A number of banks in southern Europe told us point blank that they have adaptation formulas to adjust clients' reported income to the bank's best estimate of true income, and furthermore, that these adjustments are specific to occupations ... Take the examples of lawyers, doctors, financial services, and accountants. In all of these occupations, the self-employed are paying over 100% of their reported income flows to debt servicing on consumer loans

You read that right: More than 100% of the self-reported income of Greece's professional classes is going toward paying off consumer debts. Not, we suspect, because they have massive unbearable repayments to make, but because they're colossally underreporting their income.

[About a third of Greeks are self-employed](#), nearly twice the European average and the highest rate in the EU.

A lot has been made of tackling Greece's oligarch tax evaders, but there has been less discussion about cracking down on the white-collar, high-income professional classes that are really rinsing their country's tax system. If Greek Finance Minister Yanis Varoufakis wants to be successful in cracking down on tax evasion, these are the people he needs to put the screws on.

Here's a chart below for the professions. In at least five sectors, including doctors and accountants, self-employed people are supposedly paying *more than they earn* on debt repayments every month:

	Monthly Reported Income	Monthly Debt Payments	Ratio of Payment/ Income	Annual Delinquency Probability
Accounting & Financial Services	1,479	1,701	1.15	0.11
Agriculture	984	538	0.55	0.26
Business Services	1,200	825	0.69	0.20
Construction	1,128	719	0.64	0.20
Doctors & Medicine	1,628	1,660	1.02	0.06
Education	1,214	1,099	0.91	0.19
Engineering & Science	1,511	1,264	0.84	0.08
Fabrication	1,731	1,607	0.93	0.20
Law	1,558	1,647	1.06	0.07
Lodging & Restaurants	1,234	1,305	1.06	0.21
Media & Art	1,351	1,064	0.79	0.16
Other	1,333	1,066	0.80	0.23
Personal Services & Pharmacy	1,394	1,301	0.93	0.20
Retail	1,640	1,758	1.07	0.22
Transport	1,412	1,424	1.01	0.16
Overall	1,289	1,057	0.82	0.20

Artavanis, Morse, Tsoutsoura, Chicago Booth

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