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July 9, 2012, 6:00 AM

Hidden Greece

Article

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If Greece's government was as adept as its banks at figuring out what its citizens earn, the world might be a very different place.



More from Heard on the Street

That Greeks have a penchant for evading taxes isn't exactly news – when tax collectors started comparing swimming-pool ownership with incomes, wealthy Greeks camouflaged their pools. And because hidden income is hidden, figuring the size of the tax dodge is difficult.

Armed with data from one of Greece's ten largest banks, economists Nikolaos Artavanis, Adair Morse and Margarita Tsoutsoura recently [set themselves](#) to the task. The bank, with tens of thousands of customers across the country, provided loan and credit-card application and performance data. That not only gave the economists access to self-reported incomes, but also allowed them to infer the bank's estimates of true incomes – which are likely closer to the mark.

The economists' conservatively estimate that in 2009 some €28 billion in income went unreported. Taxed at 40%, that equates to €11.2 billion — nearly a third of Greece's budget deficit.

Why hasn't Greece done more to stop tax evasion? The economists were also able to identify the top tax-evading occupations — doctors and engineers ranked highest — and found they were heavily represented in Parliament.

– Justin Lahart

Euro-Zone Crisis, greece, Tax Evasion

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11:32 am July 10, 2012

From Greece wrote :

I have no idea what income you are talking about and since in live in Greece, I expect I am better informed than you are.
 After 5 years of recession equaling a decline of 20% of our GDP and going full speed ahead towards a 6th year of recession with -7% negative growth, no one is making money.
 Hidden income? Are you kidding?

11:45 am July 9, 2012

Pink Floyd wrote :

"Money, It's a crime. Share it fairly, but don't take a slice of my pie."

11:41 am July 9, 2012

AreVee wrote :

The last paragraph is the key..."all politics is local" said LBJ.

10:19 am July 9, 2012

Dan allen wrote :

Mr. Lahart's points are well taken, but let's do some quick math here. \$28 billion of unreported income sounds like a lot, and a loss of \$11 billion is a lot. But Lahart assumes that tax evasion could be reduced to zero and all tax revenues recovered. And yet, the eurozone has an average tax evasion of 19%, and the USA is at 17% (of very low tax rates, comparatively).

The comparison would see Greek tax evasion reduced to the eurozone level.

Greece's gov't budget is about 120 billion these days, about 45% of GDP. 28 billion in unreported income constitutes between 25-30% rate of evasion. Reduced to European levels,



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that would mean that Greece should reduced the level of unreported income to about 20 billion. So, an 8 billion gain of reported income. Taxed at 40%, that's about 3.5 billion in more taxes. Greece owes over 300 billion euros at this point, 165% debt to GDP.

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Tax evasion is a huge problem in Greece, but clearly it didn't get them into this mess, and correcting it sure as heck will not get them out of this mess. Look at the numbers.

We should not differentiate too much between very high tax evasion of very high tax rates and low evasion of very low tax rates. Greece collects tax revenue equal to 40% of GDP (and has been doing so for a decade) according to Eurostat. All in all, the tax evasion story is overblown.

6:47 am July 9, 2012

Paul Blumenthal wrote :

And of course we are here to believe that German and French banks that lent so foolishly to the Greek public did NOT do their due diligence and didn't know about all of that? Only now, we are all responsible for banks bad debts. Because when a banker screws up his job then the public pays the bill. Give me a break!

Paul Blumenthal,
<http://www.sh1ny.com> Founder

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