

## In Athens, Austerity's Ugliness

By NICHOLAS D. KRISTOF - March 7, 2012

Europe declared war on Keynes, and Keynes is winning.

In the United States, Republicans lambaste President Obama's stimulus package as a failure and insist on bone-crunching budget-cutting. If you want to know how well that works, come visit Europe—especially Greece.

Yes, Greece needed a wake-up whack and economic reform, but Republican-style austerity knocked the patient unconscious. Contrast the still-shrinking economies of Europe with the stirrings of recovery in the United States, and you feel lucky to be an American and a beneficiary of President Obama's stimulus.

It's stunning here in Athens to see many traffic lights not working, to see beggars pawing through garbage for food, to see blackened ruins of shops burned in rioting. I was even greeted by a homeless man who spoke impeccable British-accented English. That man, Michael A. Kambouroglou, 35, claims that he studied English literature at Cambridge University and worked for years in the tourism industry, most recently at a five-star hotel. He told me that he had enjoyed a good life, visiting the United States and traveling around the world, until the day nearly a year ago when the collapsing economy caught up with him, and he was laid off. "To be honest, I never thought it could come to me," he recalled. He goes out every morning, knocking on doors and looking for work, but in this economy it seems hopeless. The overall unemployment rate here is 21 percent—48 percent among young people—and the European Union forecasts that the Greek economy will shrink further this year. Some 250,000 Greeks now receive free meals from churches or shelters.

There's no doubt that Greece had been living recklessly and needed structural reforms. While much of Europe was fundamentally healthy until the crisis hit—the caricature Americans hold of a socialist Europe in decline is a vast exaggeration—Greece truly was a mess. For example, if you're a business owner, taxation often works like this: Instead of paying a tax bill of, say, \$100,000, you

pay \$40,000 to the state, hand a \$20,000 bribe to the tax collector, and keep \$40,000.

Republicans are right to see in Greece some perils of an overgenerous government: The state sector was bloated, early retirements and pensions were sometimes absurd, and rigid labor markets undermined Greece's competitiveness. But the problem was not a welfare state—Greece has much less of a safety net than northern Europe. Rather, it was corruption, inefficiency and a system in which laws are optional. Yet instead of structural reforms or improved tax collection, what has changed in Greece, so far, has mostly been slashed budgets. And, as in the rest of Europe, austerity in the middle of recession has made matters worse—just as John Maynard Keynes predicted.

Granted, there are no easy solutions for Greece, but this path doesn't seem to be working. "It might end up as a social revolution," Kambouroglou said grimly. That's too pessimistic, but my hunch is that the latest rescue package will fail (except that it will buy time, perhaps its purpose) and that Greece eventually may leave the euro zone. In any case, the rescue packages seem more about saving French and German banks than saving Greece.

Countless Greeks are giving up on their homeland and emigrating to northern Europe or Australia. Gloom is as thick as a morning fog on the Peloponnesus.

Schools, hospitals and social services are devastated. Staff at some halfway houses for the mentally ill haven't been paid for six months, and electricity has been cut off. "And it'll get worse," predicted Dr. Cristos Panettas, the chief psychiatrist of the Psychiatric Hospital of Attica.