

Entering a Death Spiral?

Tensions Rise in Greece as Austerity Measures Backfire

By *Corinna Jessen* in Athens

The austerity measures that were supposed to fix Greece's problems are dragging down the country's economy. Stores are closing, tax revenues are falling and unemployment has hit an unbelievable 70 percent in some places. Frustrated workers are threatening to strike back.

The feast of the Assumption of Mary on Aug. 15 is the high point of summer in the Greek Orthodox world. Here in one of the country's many churches, believers pray to the Virgin for mercy, with many of them falling to their knees.

The newspaper *Ta Nea* has recommended that the Greek government adopt the very same approach -- the country's leaders have to hope that Mary comes up with a miracle to save Greece from a serious crisis, the paper writes. Without divine intervention, the newspaper suggested, it will be a difficult autumn for the Mediterranean state.

This dire prognosis comes even despite Athens' massive efforts to sort out the country's finances. The government's draconian austerity measures have managed to reduce the country's budget deficit by an almost unbelievable 39.7 percent, after previous governments had squandered tax money and falsified statistics for years. The measures have reduced government spending by a total of 10 percent, 4.5 percent more than the EU and International Monetary Fund (IMF) had required.

The problem is that the austerity measures have in the meantime affected every aspect of the country's economy. Purchasing power is dropping, consumption is taking a nosedive and the number of bankruptcies and unemployed are on the rise. The country's gross domestic product shrank by 1.5 percent in the second quarter of this year. Tax revenue, desperately needed in order to consolidate the national finances, has dropped off. A mixture of fear, hopelessness and anger is brewing in Greek society.

Unemployment Rates of up to 70 Percent

Nikos Meletis is neatly dressed, and his mid-range car is clean and tidy. Meletis used to earn a good living at a shipbuilding company in Perama, a port opposite the island of Salamis. "At the moment, I'm living off my savings," the 54-year-old welder says, standing in front of a silent harbor full of moored ships.

Meletis is a day laborer who used to work up to 300 days a year; this year he has only managed to scrape together 25 days' work so far. That gives him 25 health insurance stamps, when he needs 100 in order to insure himself and his family -- including his wife, who has cancer. "How am I supposed to pay for the hospital?" Meletis asks. Unemployment benefits of at most €460 (\$590) per month are available for a maximum of one year -- and only if he can produce at least 150 stamps from the past 15 months.

There's hardly a worker in the shipbuilding district of Perama who could still manage that. Unemployment in the city hovers between 60 and 70 percent, according to a study conducted by the University of Piraeus. While 77 percent of Greek shipping companies indicate they are satisfied with the quality of work done in Perama, nearly 50 percent still send their ships to be repaired in Turkey, Korea or China. Costs are too high in Greece, they say. The country, they argue, has too much bureaucracy and too many strikes, with labor disputes often delaying delivery times.

Perama is certainly an unusually extreme case. But the shipyards' decline provides a telling example of the Greek economy's increasing inability to compete. Barely any of the country's industries can keep up with international competition in terms of productivity, and experts expect

the country's gross domestic product to fall by 4 percent over the course of the entire year. Germany, by way of comparison, is hoping for growth of up to 3 percent.

Sales Figures Dropping Everywhere

Prime Minister George Papandreou's austerity package has seriously shaken the Greek economy. The package included reducing civil servants' salaries by up to 20 percent and slashing retirement benefits, while raising numerous taxes. The result is that Greeks have less and less money to spend and sales figures everywhere are dropping, spelling catastrophe for a country where 70 percent of economic output is based on private consumption.

A short jaunt through Athens' shopping streets reveals the scale of the decline. Fully a quarter of the store windows on Stadiou Street bear red signs reading "Enoikiazetai" -- for rent. The National Confederation of Hellenic Commerce (ESEE) calculates that 17 percent of all shops in Athens have had to file for bankruptcy.

Things aren't any better in the smaller towns. Chalkidona was, until just a few years ago, a hub for trucking traffic in the area around Thessaloniki. Two main streets, lined with fast food restaurants and stores catering to truckers, intersect in the small, dismal town. Maria Lialiambidou's house sits directly on the main trucking route. Rent from a pastry shop on the ground floor of the building used to provide her with €350 per month, an amount that helped considerably in supplementing her widow's pension of €320.

These days, though, Kostas, the man who ran the pastry shop, who people used to call a "penny-pincher," can no longer afford the rent. Here too, a huge "Enoikiazetai" banner stretches across the shopfront. No one wants to rent the store. Neither are there any takers for an empty butcher's shop a few meters further on.

A sign on the other side of the street advertises "Sakis' Restaurant." The owner, Sakis, is still hanging on, with customers filling one or two of the restaurant's tables now and then. "There's really no work for me here anymore," says one Albanian employee, who goes by the name Eleni in Greece. "Many others have already gone back to Albania, where it's not any worse than here. We'll see when I have to go too."

No Way Out

The entire country is in the grip of a depression. Everything seems to be going downhill. The spiral is continuing unabated, and there is no clear way out. The worse part, however, is the fact that hardly anyone still hopes that things will improve one day.

The country's unemployment rate makes this trend particularly clear. In 2009, it was 9.5 percent. This year it may rise to 12.1 percent and economists expect it to reach 14.3 percent in 2011. Those, though, are only the official numbers, which were provided by Angel Gurría, secretary general of the Organisation for Economic Co-operation and Development (OECD). The Greek trade union association GSEE considers those numbers far too optimistic. It considers 20 percent to be a more likely figure for 2011. This would put the unemployment rate as high as it was in 1960, when hundreds of thousands of Greeks were forced to emigrate. Meanwhile, purchasing power has fallen to its 1984 level, according to the GSEE.

'Things Are Starting to Simmer'

Menelaos Givalos, a professor of political science at Athens University, has appeared on television, warning viewers that the worst times are still to come. He predicts a large wave of layoffs starting in September, with "extreme social consequences."

"Everything is getting more expensive, I'm hardly earning any money, and then I'm supposed to pay more taxes to help save the country? How is that supposed to work?" asks Nikos Meletis, the shipbuilder. His friends, gathered in a small cafeteria on the pier in Perama, are gradually growing more vocal. They are all unemployed, desperate and angry at the politicians who got them into this mess. There is no sympathy here for any of the political parties and no longer any for the unions either.

"They only organize strikes to serve their own interests!" shouts one man, whose name is Panayiotis Peretridis. "The only thing that interests me anymore is my daily wage. A loaf of bread

is my political party. I want to help my country -- give me work and I'll pay taxes! But our honor as first-class skilled workers, as heads of families, as Greeks, is being dragged through the dirt!"

"If you take away my family's bread, I'll take you down -- the government needs to know that," Meletis says. "And don't call us anarchists if that happens! We're heads of our families and we're desperate."

He predicts the situation will only become more heated. "Things are starting to simmer here," he says. "And at some point they're going to explode."

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