<u>Greek Patience With Austerity Nears Its Limit</u>

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NEA IONIA, Greece — Alexandra Nikolovieni, 55, lost her job escorting young children on a school bus four years ago and has not been able to find another one since. To help financially, her daughter and her son-in-law, who have two children, moved into her house. But now they have lost their jobs, too.

Ms. Nikolovieni, who volunteers at a food pantry in this suburb of Athens, says that every month she sees more and more people like her, qualifying for bundles of groceries and picking out used shoes for themselves or their children.
“Are things getting better?” she said. “I don’t think so.”

Nowhere have austerity policies been more aggressively tried — and generally failed to live up to results promised by advocates — than in Greece. After more than four years of belt tightening, patience is wearing thin, and tentative signs of improvement have not yet trickled down into the lives of average Greeks.

Now, after its Parliament failed to pick a president on Monday, forcing early elections, Greece faces a turning point in how to heal its devastated economy. Last year, the national unemployment rate reached 27 percent, and the vast majority of out-of-work Greeks have not had a paycheck in more than two years.

In the Jan. 25 general election, a majority center-right coalition government that has reluctantly stuck with austerity policies will face a charismatic left-wing challenger who says it is time for Greece to take its future into its own hands and do what it can to stimulate growth. Whichever path the country chooses, the outcome is likely to have broad implications for Greece and its place in the European Union.

In 2010, with Greece crippled by debt and threatening the survival of the euro, the European Union, the International Monetary Fund and the European Central Bank began imposing German-inspired austerity on the country. The aim was to slash the budget deficit and address fundamental problems like corruption and a failure to collect taxes. Such policies, they promised, would get Greece back on its feet, able to borrow again on financial markets.

Greeks grudgingly went along, assured that painful reform would return the country to growth by 2012. Instead, Greece lost 400,000 jobs that year and continued on a decline that would see a drop in the gross domestic product since 2008 not much different from the one experienced during the first five years of the United States’ Great Depression.

Greece’s unemployment rate was supposed to top out at 15 percent in 2012, according to International Monetary Fund calculations. But it roared to 25 percent that year, reached 27 percent in 2013 and has ticked downward only slightly since.

Among international policy makers and economists, the debate over austerity remains as intense as ever. Chancellor Angela Merkel of Germany, the most high-profile advocate of the argument that only through fiscal prudence can nations achieve stability and prosperity, has given little ground even as larger and more influential countries like France and Italy have started balking at her demands.

But at the street level in Greece, there is little debate anymore, if there ever was. The images of suffering here have not been that different from the grainy black and white photos of the United States in the 1930s. Suicides have shot up. Cars sit abandoned in the streets. People sift garbage looking for food.

About 900,000 of the more than 1.3 million who are out of work have not had a paycheck in more than two years, experts say. Kostas Polychronopoulos, who runs a volunteer soup kitchen in Athens and has been out of a job since 2009, said he had seen many shocking things in recent years, including an old woman in a fur coat who watched from a distance for a long time before finally approaching to accept food.

When he insisted on taking her home, he found she was living in an empty apartment. "She didn't even have water," he said.

Even supporters of Prime Minister Antonis Samaras say that he faces an uphill battle to persuade the electorate to stay the course after five years of austerity.

His principal opponent, Alexis Tsipras, is promising to defy Greece's creditors, renegotiate the country's enormous debt, cut some taxes and work to restore cut pensions. It is unclear where such an act of defiance might lead, whether Greece's creditors would be willing to change their approach or whether Greece even might find itself in the unprecedented position of facing expulsion from the eurozone, or even the European bloc altogether.

Yet for many Greeks who have lost everything, rebellion may be a choice they cannot resist, even if it is a scary one. Michalis Mitsopoulos, an economist who has written two books on the crisis, says many of Mr. Tsipras's ideas are unworkable. But, he adds, many Greeks are desperate, saying to themselves: "I have no job. I am going to lose my house. My children have no future. What more can happen to me?"

Even if more recent optimistic projections are to be believed, and a steady rate of growth can be expected, it would take Greece perhaps 15 years to regain the jobs it has lost, said Panagiotis Liargovas, the director of the Greek Parliamentary Budget Office.

"The mix was not right," Mr. Liargovas said of the austerity measures. "It was a cure that has almost killed the patient."

The three international lenders — the International Monetary Fund, the European Commission and the European Central Bank — were initially seen in Greece as saviors, and the austerity program has had some notable successes. When Greece was forced to ask for help, its deficit was more than four times the 3 percent of gross domestic product allowed under European Union rules. The financial markets had lost confidence in the country. Greece desperately needed money to pay its bills, but the cost of borrowing on the financial markets had become prohibitive.

Now, Greece is no longer spending far more than it receives, when debt payments are excluded, its officials say. It has remained in the European Union, and can again borrow in the bond markets, though at interest rates that have been creeping up again, indicating investors' concern about the nation's path.

But the failures have been striking, leaving millions of Greeks baffled and angry as their lives disintegrated while the elite often escaped, untaxed and unbothered, experts say. Lefteris Pantazopoulos, 60, used to own three hardware stores that employed six people. Today, only one store remains open in Nea Ionia, with Mr. Pantazopoulos behind the counter and hardly any profit.

He and his wife have not bought heating oil in three years. If Mr. Pantazopoulos were to win 1,000 euros in the lottery, he said, he would fill his house with groceries, "just to remember what that was like."

In a wide-ranging view of the Greece program last year, the I.M.F. found that many of its predictions had failed. There was a sharp fall in imports, but little gain in exports. Public debt overshot original predictions. Predicted revenues from selling public assets were way off. The banking system, perceived as relatively sound at the beginning of the bailout, began having problems as the economy soured.

Looking back, the I.M.F. concluded that many errors had been made, including too much emphasis on raising taxes instead of cutting expenses. In addition, the monetary fund overestimated the ability of the government to deliver the changes it was demanding — because they were proving politically unpopular and because Greek institutions were far weaker that anyone understood.

Over the last four years, the three lenders have demanded more than 800 actions a year, Greek officials say, requiring hundreds of new laws, sometimes changed and readopted within weeks or days.

Administering these changes would have been difficult in a country with sound institutions, but Greece's were filled with poorly qualified political appointees and were undergoing hiring freezes and budget cuts even as they were supposed to be managing a huge overhaul: a large assortment of new taxes, the opening of closed professions and the sale of state-owned assets.

Experts say that even now the Greek tax collection system does not truly function. Investigations into the Greek elite and their secret foreign accounts have foundered even in the face of public exposure of the accounts.

And some new measures instituted to collect taxes — for instance, the ability to take the money from someone's bank account, or to assume a level of income because of the size of a house or the sale of a property — have led to all sorts of Kafkaesque situations.

One economist said that almost his entire salary went to property taxes, though he could not sell his property without incurring an even larger tax bill. If he sells, he must pay tax on the assessed value as a result of a measure intended to keep people from taking cash under the table. But the property is no longer worth that much. On top of that, one of his properties has two ruined buildings on it, so selling it within the calendar year would lead the tax authorities to treat him as a real estate broker and demand taxes on a projected salary that he does not have.

The one bright spot in the economy has been tourism. But even on Greece's most famous islands, such as Corfu, there is little sense of relief. Many tourists come on cut-rate or all-inclusive packages. The wages of hotel workers have been cut severely, and many are not paid for months, if at all, according to union officials and Corfu's mayor, Kostas Nikolouzos.

Mr. Nikolouzos said he was worried that drastic budget cuts could affect the islands' ability to attract tourists. The municipality once had a budget of 13 million euros a year for capital repairs. This year, it will be one million euros, though roads are buckling and some villagers can no longer drink their tap water.

Eleni Alexaki, 56, has worked as a hotel maid for more than 20 years. She was cleaning 20 rooms a day at the beginning of the crisis and now cleans 35, while her pay has gone from 1,600 euros a month to 985. She receives no holiday pay and fewer days off. "And they terrorize us," she said. "They say, 'There, the door is there.' "

Pericles Mastoras, 59, a cook in a different hotel, needs an M.R.I. for a kidney problem, but he has not been paid since October. As he sat in his union office recently, his cell phone rang, but the conversation with his boss was brief.

"He said, 'Call back tomorrow,' " Mr. Mastoras said. "That means I won't get the money for months."