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Last Lifelines Crumble for Many Greek Families as New Conflict With Creditors Looms

Fresh rounds of austerity cut into the pensions and savings that have buoyed Greek households through the crisis; 'Our only goal now is survival'

By NEKTARIA STAMOULI

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ATHENS—Efi Kostaki, a 48-year old cleaning lady, has been out of work for three years. Her husband, a glassware-factory worker, for two years.

They are losing hope of finding any job at all amid Greece's eight-year depression, where only 3.7 million people have work in a country of 11 million. The couple and their 23-year-old daughter, a waitress, got by until now only with the pension income of Mrs. Kostaki's elderly mother.

But her mother died three months ago, after catching an infection in one of Greece's dilapidated public hospitals, leaving the family facing not only bereavement but penury. "I feel so exhausted," Mrs. Kostaki says.

The steadily fraying finances of Greek households, which for years have made ends meet because of close-knit extended families and savings, form the backdrop to a looming showdown between the Greek government and its creditors.

The government, knowing voters' exhaustion, is adamant that it won't legislate a multiyear package of pension cuts and income-tax increases, which the International Monetary Fund says is the only way for Greece to hit its agreed-upon budget targets. The IMF says it can't participate in Greece's bailout program without such a package—or, alternatively, without large-scale debt relief from Greece's German-led European creditors. Germany says the IMF must be involved, but that the time isn't right for debt relief.

The three-way conflict simmered throughout 2016. Eurozone policy makers say



Andreas Andrianopoulos-Daskalakis has had to close three of his five clothing stores in recent years; the other two are struggling.



Efi Kostaki has been out of work for three years, her husband for two. The couple got by until now thanks to the pension income of Mrs. Kostaki's elderly mother, who died three months ago.



Arts teacher Mimi Bonanou says her only goal is survival, as tax hikes and pay cuts have put her previous middle-class lifestyle beyond reach.



PHOTOS: ENRI CANAJ FOR THE WALL STREET JOURNAL(6)

its resolution can't be put off much longer. Prime Minister Alexis Tsipras is considering the option of snap elections if the creditors don't soften their positions.

The IMF is holding a hard line partly to put pressure on the eurozone to lighten Greece's debt burden, say people involved in the negotiations. IMF officials have said Greece's economy is already overtaxed.

New taxes that came into affect on Jan. 1 are squeezing household incomes further. Economists say even-higher income taxes—in the form of lower tax-free income allowances—could add to a mountain of unpaid taxes. Greeks currently owe the state €94 billion (\$99 billion), equivalent to 54% of gross domestic product, and rising, in taxes that they can't pay. Three in four Greeks can't pay household bills on time, according to the 2016 European Consumer Payment Report, a private-sector survey.

Extended families often rely on grandparents' pensions. Further cuts in that lifeline could end hopes for a return to economic growth. Unemployment remains more than double the eurozone's average at 23%. About 74% of the jobless have been out of work for more than a year and thus receive no benefits.

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Financial strains extend even to the wealthier suburbs of Athens. Retirees Ioanna and Petros Kokkalis never had debts, nor feared

losing their home. But now the 87-year-old former economist and his 81-year-old wife are unable to repay the property tax imposed on their 70-year old house, a family inheritance. The annual tax is around €33,000, but Mr. Kokkalis's pension—already cut by half—is €28,000 a year.

The couple borrowed money when the tax was imposed, initially as a temporary austerity measure in 2011. But they are already behind on nearly €200,000 of tax payments and can't borrow more. Mr. Kokkalis says the state is calculating tax based on outdated property prices that have since collapsed, and that if he tried to sell the house now, nobody would be interested. "They impose taxes on an imaginary value," Mr. Kokkalis says. "This is confiscation."

Families' cash reserves are thinning. According to the country's central bank, Greeks used some €6.5 billion last year to pay tax obligations out of €22 billion in cash that they took out of the rickety banking system during the crisis of summer 2015.

Tax increases under previous rounds of austerity have put a middle-class

Living Off Reserves

Greek household savings rate



Source: Elstat

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sector continues to shrink despite government forecasts of recovery. The number of companies in Greece has fallen by 27% since 2008, when the downturn began, the national business registry shows.

Andreas Andrianopoulos-Daskalakis has closed three of his five clothing stores in recent years; The other two are struggling. “This is the first day of the big winter sales,” he said while waiting for customers at his store in Piraeus. “It’s already noon, and not a single client has been in our store.”

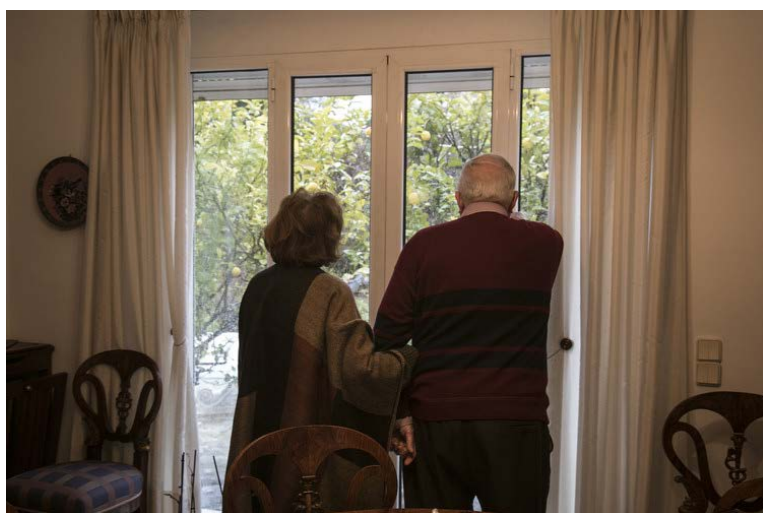
lifestyle beyond reach for many. “Our only goal now is survival,” says arts teacher Mimi Bonanou. Until recent years she also made a living as a practicing artist, selling her works in Greece and abroad. But increasingly heavy taxes that self-employed Greeks must pay at the start of each year, based on the state’s often-ambitious forecast of their incomes, have forced her to rely on teaching alone. Her salary has been cut by about 40%.

She says she can no longer afford to travel to see exhibitions, once her main pastime. “My personality is no longer the same,” she says.

Greece’s business

His family has sold off property and used up personal savings to keep the 86-year-old business afloat. The family would shut the firm “if we were less sentimental and acted purely as business people,” he said. “We might have saved some of our property.”

“If everyone shut down their unprofitable businesses, then nothing would be alive in Greece now,” he said.



Retirees Ioanna and Petros Kokkalis are unable to repay the property tax imposed on their 70-year-old house, a family inheritance *PHOTO: ENRI CANAJ FOR THE WALL STREET JOURNAL*

Write to Nektaria Stamouli at nektaria.stamouli@wsj.com

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